

Illustration - Note Disclosures and Required Supplementary Information for a cost sharing employer in OPEB without any non-employer contributing entity (no special funding situation)

[Note: This illustration includes only note disclosures and required supplementary information required by GASB Statement 75. The circumstances of this example employer do not include all circumstances for which note disclosures and required supplementary information should be presented.]

**ABC School District
Notes to the Financial Statements
For the Year Ended June 30, 2021
(Dollar amounts in thousands)**

Note X - Summary of Significant Accounting Policies

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund) and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note X – OPEB

[This illustration provides an example of note disclosures of an employer participating only in School OPEB Fund. If employees were provided with benefits through more than one defined benefit OPEB fund, the employer should disclose information required by paragraph 89 of Statement 75 and should apply the requirements of paragraph 90 of Statement 75.]

General Information about the School OPEB Fund

Plan description: –Certified teachers and non-certified public school employees of the District as defined in §20-2-875 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the District were \$XX,XXX for the year ended June 30, 2021. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the District reported a liability of \$XX,XXX for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the District's proportion was X.XXXXXX%, which was an increase (decrease) of X.XX% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$X,XXX. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ X,XXX	\$ X,XXX
Changes of assumptions	X,XXX	X,XXX
Net difference between projected and actual earnings on OPEB plan investments	X,XXX	X,XXX
Changes in proportion and differences between District contributions and proportionate share of contributions	X,XXX	X,XXX
District contributions subsequent to the measurement date	<u>X,XXX</u>	<u>-</u>
Total	\$ <u>X,XXX</u>	\$ <u>X,XXX</u>

District contributions subsequent to the measurement date of \$X,XXX are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$	X,XXX
2023		X,XXX
2024		X,XXX
2025		X,XXX
2026		X,XXX
Thereafter		X,XXX

Actuarial assumptions: The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases	3.00 – 8.75%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.25%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For TRS members: The Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree Mortality Table projected generationally with the MP-2019 projection scale (set forward one year and adjusted 106%) is used for death prior to retirement and for service retirements and beneficiaries. The Pub-2010 Teachers Mortality Table for Disabled Retirees projected generationally with the MP-2019 Projection scale (set forward one year and adjusted 106%) is used for disability retirements. For both, rates of improvement were reduced by 20% for all years prior to the ultimate rate.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2018, with the exception of the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed

to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for the major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed Income	30.0%	0.5%
Equities	70.0%	9.2%
Total	100.00%	

* Net of Inflation

Discount rate: In order to measure the total OPEB liability for the School OPEB, a single equivalent interest rate of 2.22% was used as the discount rate, as compared with last year's rate of 3.58%. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation bonds with an average rating of AA or higher (2.21% per the Municipal Bond Index Rate). The projection of cashflows used to determine the discount rate assumed that contributions from members and from the employers will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2118.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the collective net OPEB liability of the participating employers calculated using the discount rate of 2.22%, as well as what the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.22%) or 1-percentage-point higher (3.22%) than the current discount rate (amounts in thousands):

	1% Decrease (1.22%)	Current Discount Rate (2.22%)	1% Increase (3.22%)
Collective Net OPEB Liability	\$ XXX,XXX	\$ XXX,XXX	\$ XXX,XXX

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the collective net OPEB liability of the participating employers, as well as what the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

	<u>1% Decrease</u>		<u>Current Healthcare Cost Trend Rate</u>		<u>1% Increase</u>	
Collective Net OPEB Liability	\$	XXX,XXX	\$	XXX,XXX	\$	XXX,XXX

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the 2020 State of Georgia Comprehensive Annual Financial Report which is publicly available at: <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

**ABC School District Required
Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability
School OPEB Fund
For the Year Ended June 30
(Dollar amounts in thousands)**

	<u>2021</u>
District's proportion of the net OPEB liability	X.XXX%
District's proportionate share of the net OPEB liability (asset)	XX,XXX
District's covered-employee payroll (CEP)*	XX,XXX
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	X.XX%
Plan fiduciary net position as a percentage of the total OPEB liability	X.XX%

**CEP - the payroll of employees that are provided OPEB through the OPEB plan*

Note: Schedule is intended to show information for 10 fiscal years. Additional years will be displayed as they become available.

ABC School District
Required Supplementary Information
Schedule of Contributions
School OPEB Fund
For the Year Ended June 30
(Dollar amounts in thousands)

	<u>2021</u>
Contractually required contribution (CRC)*	\$ XX,XXX
Contributions in relation to the contractually required contribution*	<u>XX,XXX</u>
Contribution deficiency (excess)	<u>\$ XX,XXX</u>
District's covered-employee payroll (CEP)**	\$ XX,XXX
Contributions as a percentage of covered-employee payroll (CEP)**	X.XX%

*The "Contractually Required Contribution (CRC)" and "Contributions in relation to the contractually required contribution" are the same amount and can be found in the organization's customized employer packet identified as "Contributions made during the measurement period" on page 1.

**CEP is the payroll of employees that are provided OPEB through the OPEB plan.

Note: Schedule is intended to show information for 10 fiscal years. Additional years will be displayed as they become available

ABC School District
Notes to Required Supplementary Information
For the Year Ended June 30, 2021
(Dollar amounts in thousands)

Changes of benefit terms: There have been no changes in benefit terms.

Changes in assumptions:

- 6/30/2019 valuation: Decremental assumptions were changed to reflect the Teachers Retirement Systems experience study.
- 6/30/2018 valuation: The inflation assumption was lowered from 2.75% to 2.50%.
- June 30, 2017 valuation: The participation assumption, tobacco use assumption and morbidity factors were revised.
- The discount rate was updated from 3.07% as of June 30, 2016 to 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018, back to 3.58% as of June 30, 2019, and to 2.22% as of June 30, 2020.